

# FISCAL NOTE

**Bill #:** HB0022

**Title:** Funding for water adjudication

**Primary Sponsor:** W. McNutt

**Status:** Second Reading, Second House - Revised

Sponsor signature

Date

David Ewer, Budget Director

Date

## Fiscal Summary

	<b><u>FY 2006 Difference</u></b>	<b><u>FY 2007 Difference</u></b>
<b>Expenditures:</b>		
General Fund	\$5,008	\$0
State Special Revenue	\$2,405,333	\$2,395,899
<b>Revenue:</b>		
State Special Revenue	\$3,100,000	\$3,100,000
<b>Net Impact on General Fund Balance:</b>	(\$5,008)	\$0

- |   |   |
|---|---|
| <input type="checkbox"/> Significant Local Gov. Impact              | <input type="checkbox"/> Technical Concerns                       |
| <input type="checkbox"/> Included in the Executive Budget           | <input checked="" type="checkbox"/> Significant Long-Term Impacts |
| <input checked="" type="checkbox"/> Dedicated Revenue Form Attached | <input checked="" type="checkbox"/> Needs to be included in HB 2  |

## Fiscal Analysis

### ASSUMPTIONS:

#### **Department of Natural Resources and Conservation (DNRC)**

1. It is assumed all benchmarks will be met.
2. It is assumed that current funding for adjudication in HB 2 will continue.
3. Revenues generated by this bill are based on the attached matrix and will generate total revenues of \$3.1 million per year over 10 years to cover the costs associated with this legislation for the Department of Natural Resources and Conservation (DNRC) and the Water Court.
4. The bill would require 39.00 additional FTE - 33.50 FTE, band 5 Claims Examiners at an annual cost of \$40,000 per FTE (includes benefits); 2.00 FTE, band 5 Geographic Information Specialists at an annual cost of \$40,000 per FTE (includes benefits); 3.50 FTE, band 3 Administrative Assistants at an annual cost of \$29,500 per FTE (includes benefits).
5. Operating costs for claims examiners are projected to be \$12,500 per FTE. In FY 2006, this includes \$2,976 per FTE for a computer and office furniture, \$1,872 for travel, \$2,902 for office supplies, network and phone costs, \$1,500 for software, \$3,250 per FTE average for additional rent costs. In FY 2007, it is projected that travel, office supplies, network and phone costs will increase \$3,464 per claim examiner as the new employees become more efficient in the examination of claims.
6. Operating costs for the Geographic Information Specialists are projected to be \$10,800 per FTE. In FY 2006, this includes \$2,976 per FTE for a computer and office furniture, \$936 for travel, \$1,838 for office

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supplies, network and phone costs, \$1,800 for software, \$3,250 per FTE average for additional rent costs. In FY 2007, operating costs are projected to be \$2,976 per FTE less than FY 2006.

7. Operating costs for the Administrative Assistants are projected to be \$8,000 per FTE. In FY 2006, this includes \$2,976 per FTE for a computer and office furniture, \$1,699 for office supplies, network and phone costs, \$75 for software, \$3,250 per FTE average for additional rent costs. In FY 2007, operating costs are projected to be \$2,976 per FTE less than FY 2006.
8. Each claim examiner will examine approximately 223 claims per year for 10 years.
9. Interest earnings would be retained within the fund; however, they are not included in the revenue calculations as an offset for non-collection of fees or collection timing issues.
10. The Trust Land Management Division of the Dept. of Natural Resources and Conservation has approximately 11,000 water adjudication claims that have been filed on behalf of the Board of Land Commissioners for water rights on state school trust lands.
11. The Trust Land Management Division has estimated expenditures of \$5,480 for FY 2006 based on the types of rights the division has in each category and the graduated and maximum costs listed in House Bill 22. Costs are estimated for FY 2006 only, since the fee schedule in HB 22 stipulates the fees are due January 31<sup>st</sup> of the even numbered years.
12. The Trust Land Management Division is funded from State Special Revenue, which is a portion of the revenues generated for the trust beneficiaries shown in the table below. The appropriate State Special Revenue fund for HB 22 would be the Trust Administration Account (fund 02938). The pro-rata allocation for fund 02938 for FY 2004 was used to allocate the cost of HB 22 for fiscal note purposes. The expense allocation for FY 2006 would be as follows:

<u>Grant</u>		<b>FY 2006</b>
<u>Distributable Income</u>		<u>Expense</u>
Common Fund	School-Guarantee	
		\$5,008
Public Buildings		\$145
 <u>Non-distributable Income</u>		
Common Fund	School Permanent	
		\$264
University Trusts		\$13
Other Trusts		<u>\$50</u>
Total Expense Allocation		\$5,480

### Judicial Branch

13. This bill establishes a water adjudication fee of which a portion will be allocated to the water court as additional funding for the water adjudication process.
14. The Judicial Branch will incur salary and benefits costs for 5.00 FTE new water masters, and 1.50 FTE water deputy court clerks in FY 2006 at a projected cost of \$316,863 (6.50 FTE). In FY 2007, the half time deputy court clerk will be increased to full time for a projected total salary and benefits cost of \$326,701 (7 FTE).
15. Based on actual FY 2004 operating costs, the Judicial Branch estimates increased operating costs for the 6.50 FTE to be \$39,416 in FY 2006 and for the 7.00 FTE to be \$42,448 in FY2007 (\$66,703/11 current water court employees = \$6,064 per employee X 6.5 for FY 2006 and 7 for FY 2007)
16. Based on total rent paid in FY 2004, rent costs are expected to increase by \$24,052 per year (\$37,800/11 current employees = \$3,436 per employee X 7 additional employees)
17. The Judicial Branch will incur \$8,911 in FY 2006 to purchase 7 computers (7 x \$1,273).

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18. The Judicial Branch will incur \$11,921 in FY 2006 to purchase necessary office equipment (7 x \$1,703).
19. The Judicial Branch will incur monthly computer access charges assessed by the Department of Administration of \$72.60/mo/per computer for a total of \$6,098 per year of the biennium. These costs are revised each session by the Legislature and are subject to change.
20. Due to the increased work load the water court will need a new server and back up server. The server will be purchased in FY 2006 at an estimated cost of \$6,000 and the back up server will be purchased in FY 2007 at an estimated cost of \$5,000.

### **Department of Revenue (DOR)**

21. This bill establishes water adjudication fees to be paid by applicants seeking water rights adjudication. These fees would fund the water rights adjudication process. The water rights adjudication program would be administered by the Department of Natural Resources and Conservation (DNRC). The Department of Revenue (DOR) would collect the fees on behalf of the DNRC. The DNRC would also assign unpaid fees to the DOR for collection.
22. There are 75,000 water rights. If one percent of these claimants are referred to DOR for collections and utilize the dispute resolution process, there would be 375 Office of Dispute Resolution claims per year.
23. The DNRC will provide the estimates for the state special revenue fund expenditures and revenues.

### **Office of Public Instruction**

24. The guarantee state special revenue fund is the first source of funding for school district base aid. The amount of base aid required by statute will not change under the provisions of this bill. The \$5,008 reduction in state special revenue will cause an increase in general fund expenditures on schools.

### **Other State Agencies**

25. A number of state agencies own water rights and would be required to pay the fee implemented in this bill. Affected agencies include the Department of Fish, Wildlife & Parks (\$177,700) and the Department of Environmental Quality (\$16,260). Several other state agencies own minimal water rights and would absorb the costs within existing budgets. HB 2 needs to be amended to add appropriation authority for FWP and DEQ to transfer their payments to DNRC in FY 2006.

### **FISCAL IMPACT:**

	<u>FY 2006</u> <u>Difference</u>	<u>FY 2007</u> <u>Difference</u>
<b>DNRC - Water Resources Division</b>		
FTE	39.00	39.00
<u>Expenditures:</u>		
Personal Services	\$1,523,250	\$1,523,250
Operating Expenses	<u>468,350</u>	<u>468,350</u>
TOTAL	\$1,991,600	\$1,991,600
<u>Funding of Expenditures:</u>		
State Special Revenue (02)	\$1,991,600	\$1,991,600
<b>DNRC - Trust Land Management Division</b>		
<u>Expenditures:</u>		
Operating Expenses	\$5,480	\$0
<u>Funding of Expenditures:</u>		
State Special Revenue (02)	\$5,480	\$0

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**Judicial Branch**

FTE	6.50	7.00
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Expenditures:

Personal Services	\$316,863	\$326,701
Operating Expenses	<u>96,398</u>	<u>77,598</u>
TOTAL	\$413,261	\$404,299

Funding of Expenditures:

State Special Revenue (02)	\$413,261	\$404,299
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**Department of Revenue (DOR)**Revenues:

State Special Revenue (02)	\$3,100,000	\$3,100,000
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**Office of Public Instruction**Funding of Expenditures:

General Fund (01)	\$5,008	\$0
State Special Revenue (02) – Guarantee Account	(\$5,008)	\$0

Net Impact to Fund Balance (Revenue minus Funding of Expenditures)

General Fund (01)	(\$5,008)	\$0
State Special Revenue (02)	\$694,667	\$704,101

LONG-RANGE IMPACTS:

The bill provides for total revenues of \$3.1 million each year for 10 years or \$31.0 million to be generated over a 10-year period (fees may not be assessed after June 30, 2014). The projected revenues would fund the costs of the DNRC and the Water Court. Expenditures for DNRC to complete the examination are projected to be approximately \$2.0 million each year for 10 years (a total of \$19.9 million) and \$0.7 million each year for 5 years of post decree assistance (a total of \$3.5 million) to the Water Court that would continue to June 30, 2020 when this act terminates.

TECHNICAL NOTES:**Department of Natural Resources and Conservation (DNRC)**

1. Up to \$2.6 million, plus the approved inflation factor, is appropriated each year to the DNRC and the Water Court; but the bill does not define how the funds are to be allocated between the two entities.